

AMENDED IN SENATE MAY 31, 2016  
AMENDED IN SENATE APRIL 27, 2016  
AMENDED IN SENATE MARCH 17, 2016

**SENATE BILL**

**No. 1029**

---

**Introduced by Senator Hertzberg**  
*(Coauthors: Assembly Members Dodd and Gatto)*

February 12, 2016

---

An act to amend Section 8855 of the Government Code, relating to state government.

LEGISLATIVE COUNSEL'S DIGEST

SB 1029, as amended, Hertzberg. California Debt and Investment Advisory Commission: accountability reports.

Existing law establishes the California Debt and Investment Advisory Commission to, among other things, maintain contact with state and municipal bond issuers, underwriters, investors, and credit rating agencies to improve the market for state and local government debt ~~issues~~, *issues* and to assist state and local governments to prepare, market, and sell their debt issues. Existing law requires the commission to collect, maintain, and provide comprehensive information on all state and all local debt authorization and ~~issuance~~, *issuance* and to serve as a statistical clearinghouse for all state and local debt issuance.

This bill would additionally require the commission to track and report on all state and local outstanding debt until fully repaid or redeemed.

Existing law requires the issuer of debt of state or local government to submit reports to the commission, within specified timeframes, of the proposed issuance of debt and of final sale, as provided.

This bill would require that the report of proposed debt include a certification by the issuer that it has adopted local debt policies, which include specified ~~provisions~~, *provisions* concerning the use of debt and that the contemplated debt issuance is consistent with those local debt policies.

This bill would also require a state or local public agency to submit an annual report for any issue of debt for which it has submitted a report of final ~~sale~~: *sale on or after January 21, 2017*. The bill would require the annual report to cover a reporting period of July 1 to June 30 and to include specified information about debt issued and outstanding and the use of proceeds from debt during the reporting period. The bill would require that the report be submitted within 7 months after the end of the reporting period by any method approved by the commission.

This bill would make various findings and declarations regarding its provisions.

~~By adding to the duties of local officials with respect to reports to the commission, this bill would impose a state-mandated local program.~~

~~The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.~~

~~This bill would provide that, if the Commission on State Mandates determines that the bill contains costs mandated by the state, reimbursement for those costs shall be made pursuant to these statutory provisions.~~

Vote: majority. Appropriation: no. Fiscal committee: yes.  
State-mandated local program: ~~yes~~-no.

*The people of the State of California do enact as follows:*

- 1 SECTION 1. The Legislature hereby finds and declares all of
- 2 the following:
- 3 (a) California's 4,200 units of local government have issued
- 4 \$1.5 trillion in debt since 1984. The California Debt and Investment
- 5 Advisory Commission (CDIAC) was created in 1982 to provide
- 6 information, education, and technical assistance on debt issuance
- 7 and investments to local public agencies and other public finance
- 8 professionals. Over the past three decades, CDIAC has emerged
- 9 as a national thought leader in public finance.
- 10 (b) Nationally, there is approximately \$3.7 trillion of state and
- 11 local government debt outstanding. Of all outstanding state and

1 local government debt, approximately 75 percent is held by  
2 households and mutual funds owned predominantly by households.  
3 State governments, local governments, and their stakeholders  
4 benefit from better data about public debt. Transparency on public  
5 debt promotes better government and market integrity. It is in the  
6 interest of the people that state and local agencies utilize  
7 technological opportunities to provide transparency to the public.

8 (c) State and local agencies should adopt comprehensive written  
9 debt management policies pursuant to the recommendation of the  
10 Government Finance Officers Association, a professional  
11 organization of over 18,000 public officials united to enhance and  
12 promote the professional management of governmental financial  
13 resources. These policies should reflect local, state, and federal  
14 laws and regulations.

15 (d) It is the intent of the Legislature that all debt issuance of the  
16 state and of local governments be published in a single, transparent  
17 online database that allows the citizens of California to analyze,  
18 interpret, and understand how debt authorized by the public is  
19 utilized to finance facilities and services at the state and local level.

20 SEC. 2. Section 8855 of the Government Code is amended to  
21 read:

22 8855. (a) There is created the California Debt and Investment  
23 Advisory Commission, consisting of nine members, selected as  
24 follows:

25 (1) The Treasurer, or his or her designee.

26 (2) The Governor or the Director of Finance.

27 (3) The Controller, or his or her designee.

28 (4) Two local government finance officers appointed by the  
29 Treasurer, one each from among persons employed by a county  
30 and by a city or a city and county of this state, experienced in the  
31 issuance and sale of municipal bonds and nominated by  
32 associations affiliated with these agencies.

33 (5) Two Members of the Assembly appointed by the Speaker  
34 of the Assembly.

35 (6) Two Members of the Senate appointed by the Senate  
36 Committee on Rules.

37 (b) (1) The term of office of an appointed member is four years,  
38 but appointed members serve at the pleasure of the appointing  
39 power. In case of a vacancy for any cause, the appointing power

1 shall make an appointment to become effective immediately for  
2 the unexpired term.

3 (2) Any legislators appointed to the commission shall meet with  
4 and participate in the activities of the commission to the extent  
5 that the participation is not incompatible with their respective  
6 positions as Members of the Legislature. For purposes of this  
7 chapter, the Members of the Legislature shall constitute a joint  
8 interim legislative committee on the subject of this chapter.

9 (c) The Treasurer shall serve as chairperson of the commission  
10 and shall preside at meetings of the commission.

11 (d) Appointed members of the commission shall not receive a  
12 salary, but shall be entitled to a per diem allowance of fifty dollars  
13 (\$50) for each day's attendance at a meeting of the commission  
14 not to exceed three hundred dollars (\$300) in any month, and  
15 reimbursement for expenses incurred in the performance of their  
16 duties under this chapter, including travel and other necessary  
17 expenses.

18 (e) The commission may adopt bylaws for the regulation of its  
19 affairs and the conduct of its business.

20 (f) The commission shall meet on the call of the chairperson,  
21 at the request of a majority of the members, or at the request of  
22 the Governor. A majority of all nonlegislative members of the  
23 commission constitutes a quorum for the transaction of business.

24 (g) The office of the Treasurer shall furnish all administrative  
25 assistance required by the commission.

26 (h) The commission shall do all of the following:

27 (1) Assist all state financing authorities and commissions in  
28 carrying out their responsibilities as prescribed by law, including  
29 assistance with respect to federal legislation pending in Congress.

30 (2) Upon request of any state or local government units, to assist  
31 them in the planning, preparation, marketing, and sale of debt  
32 issues to reduce cost and to assist in protecting the issuer's credit.

33 (3) Collect, maintain, and provide comprehensive information  
34 on all state and all local debt authorization and issuance, track and  
35 report on all state and local outstanding debt until fully repaid or  
36 redeemed, and serve as a statistical clearinghouse for all state and  
37 local debt. This information shall be available to the public.

38 (4) Maintain contact with state and municipal bond issuers,  
39 underwriters, credit rating agencies, investors, and others to  
40 improve the market for state and local government debt issues.

1 (5) Undertake or commission studies on methods to reduce the  
2 costs and improve credit ratings of state and local issues.

3 (6) Recommend changes in state laws and local practices to  
4 improve the sale and servicing of state and local debts.

5 (7) Establish a continuing education program for local officials  
6 having direct or supervisory responsibility over municipal  
7 investments and debt issuance. The commission shall undertake  
8 these and any other activities necessary to disclose investment and  
9 debt issuance practices and strategies that may be conducive for  
10 oversight purposes.

11 (8) Collect, maintain, and provide information on local agency  
12 investments of public funds for local agency investment.

13 (9) Publish a monthly newsletter describing and evaluating the  
14 operations of the commission during the preceding month.

15 (i) (1) The issuer of any proposed debt issue of state or local  
16 government shall, no later than 30 days prior to the sale of any  
17 debt issue, submit a report of the proposed issuance to the  
18 commission by any method approved by the commission. This  
19 subdivision shall also apply to any nonprofit public benefit  
20 corporation incorporated for the purpose of acquiring student loans.  
21 The commission may require information to be submitted in the  
22 report of proposed debt issuance that it considers appropriate.  
23 Failure to submit the report shall not affect the validity of the sale.  
24 The report of proposed debt issuance shall include a certification  
25 by the issuer that it has adopted local debt policies concerning the  
26 use of debt and that the contemplated debt issuance is consistent  
27 with those local debt policies. A local debt policy shall include all  
28 of the following:

29 (A) The purposes for which the debt proceeds may be used.

30 (B) The types of debt that may be issued.

31 (C) The relationship of the debt to, and integration with, the  
32 issuer's capital improvement program or budget, if applicable.

33 (D) Policy goals related to the issuer's planning goals and  
34 objectives.

35 (E) The internal control procedures that the issuer has  
36 implemented, or will implement, to ensure that the proceeds of the  
37 proposed debt issuance will be directed to the intended use.

38 (2) In the case of an issue of bonds the proceeds of which will  
39 be used by a governmental entity other than the issuer, the issuer  
40 may rely upon a certification by that other governmental entity

1 that it has adopted the policies described in subparagraphs (C),  
2 (D), and (E) of paragraph (1), and references to the “issuer” in  
3 those subparagraphs shall be deemed to refer instead to the other  
4 governmental entity.

5 (j) The issuer of any debt issue of state or local government,  
6 not later than 21 days after the sale of the debt, shall submit a report  
7 of final sale to the commission by any method approved by the  
8 commission. A copy of the final official statement for the issue  
9 shall accompany the report of final sale. If there is no official  
10 statement, the issuer shall provide each of the following documents,  
11 if they exist, along with the report of final sale:

- 12 (1) Other disclosure document.
- 13 (2) Indenture.
- 14 (3) Installment sales agreement.
- 15 (4) Loan agreement.
- 16 (5) Promissory note.
- 17 (6) Bond purchase contract.
- 18 (7) Resolution authorizing the issue.
- 19 (8) Bond specimen.

20 The commission may require information to be submitted in the  
21 report of final sale that it considers appropriate. The issuer may  
22 redact confidential information contained in the documents if the  
23 redacted information is not information that is otherwise required  
24 to be reported to the commission.

25 (k) (1) A public agency, whether state or local, shall submit an  
26 annual report for any issue of debt for which it has submitted a  
27 report of final sale pursuant to subdivision ~~(j)~~: *(j) on or after*  
28 *January 21, 2017*. The annual report shall cover a reporting period  
29 from July 1 to June 30 and shall be submitted no later than seven  
30 months after the end of the reporting period by any method  
31 approved by the commission. The annual report shall ~~be required~~  
32 ~~for each issue of debt that is outstanding at any time during the~~  
33 ~~reporting period and shall~~ consist of the following information:

34 (A) Debt authorized during the reporting period, which shall  
35 include the following:

- 36 (i) Debt authorized at the beginning of the reporting period.
- 37 (ii) Debt authorized and issued during the reporting period.
- 38 (iii) Debt authorized but not issued at the end of the reporting  
39 period.
- 40 (iv) Debt authority that has lapsed during the reporting period.

1 (B) Debt outstanding during the reporting period, which shall  
2 include the following:

3 (i) Principal balance at the beginning of the reporting period.

4 (ii) Principal paid during the reporting period.

5 (iii) Principal outstanding at the end of the reporting period.

6 (C) The use of proceeds of issued debt during the reporting  
7 period, which shall include the following:

8 (i) Debt proceeds available at the beginning of the reporting  
9 period.

10 (ii) Proceeds spent during the reporting period and the purposes  
11 for which it was spent.

12 (iii) Debt proceeds remaining at the end of the reporting period.

13 (2) Compliance with this subdivision shall be ~~limited to~~ *required*  
14 *for each issue of debt issuance with proceeds remaining unspent*  
15 *outstanding debt, debt that has been authorized but not issued, or*  
16 *both during the reporting period.*

17 (3) The commission may, if technology permits, develop an  
18 alternate reporting method, provided that any alternate reporting  
19 method is in furtherance of the purpose of collecting the data  
20 required by this subdivision.

21 ~~SEC. 3. If the Commission on State Mandates determines that~~  
22 ~~this act contains costs mandated by the state, reimbursement to~~  
23 ~~local agencies and school districts for those costs shall be made~~  
24 ~~pursuant to Part 7 (commencing with Section 17500) of Division~~  
25 ~~4 of Title 2 of the Government Code.~~